

December 16, 2022

**MEMORANDUM**

To: Ebony Cross Shields, Instructional Director  
Cluster 6

Brandi Smith, Principal  
Gladys Noon Spellman Elementary School

From: Michele Winston, CPA, Director,  
Internal Audit

Re: Financial Audit for July 1, 2017 through August 31, 2022

An audit was completed on the financial records of **Gladys Noon Spellman Elementary School** for the period July 1, 2017 through August 31, 2022. The audit indicates that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual for School Activity Funds (APM) and Board of Education (BOE) policies and procedures. The exceptions noted in the audit are documented in the attached audit report.

As principal of the school, you will be responsible for preparing an action plan by **January 16, 2022** indicating steps that will be taken to ensure compliance with the APM. Please note that you are required to provide your action plan using the attached Microsoft word template and any other correspondence to the Internal Audit Office, email address [internal.audit@pgcps.org](mailto:internal.audit@pgcps.org). **Please forward this template as a Microsoft Word document.** A copy of your action plan should also be forwarded to Danyelle Washington, Business Analyst, email address: [dany.washington@pgcps.org](mailto:dany.washington@pgcps.org) and Katrina Greene, School Activity Fund Support Specialist, email address: [katrina.greene@pgcps.org](mailto:katrina.greene@pgcps.org).

Enclosure

cc: Juanita Miller, Ed. D., Board Chair  
Monica Goldson, Ed. D., Chief Executive Officer  
Members, Board of Education  
Mychael Dickerson, Chief of Staff  
Michael Herbstman, Chief Financial Officer  
James Dougherty, Esq., Director, Financial Services  
Kassandra Lassiter, Ed. D., Associate Superintendent, Area 1  
Helen Coley, Ed. D., Chief, School Support and Leadership  
Joeday Newsom, Esq., Director, Board of Education Staff Office  
Robin Welsh, Director of Monitoring, Accountability and Compliance  
Katrina Greene, Student Activity Fund Support Specialist  
Janice Walters-Semple, CPA, Supervisor Internal Audit

**Internal Audit Report**

**Gladys Noon Spellman Elementary School  
School Activity Funds**

**For the Period Ended August 31, 2022**

Gladys Noon Spellman Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended August 31, 2022

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Internal Audit Report  
For the Period Ended August 31, 2022

**Internal Auditor's Report**

We have examined the School Activity Funds (SAF) of Gladys Noon Spellman Elementary School for the period July 1, 2017 through August 31, 2022. Gladys Noon Spellman Elementary School's Principal is responsible for the administration of SAF. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Generally Accepted Government Auditing Standards and accordingly, included examining on a test basis, evidence supporting SAF, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Our examination disclosed the following finding:

- *Unapproved Vendor for Vending Operations, and*
- *Excessive Spending in Restricted Accounts*

Individually or in the aggregate, the finding resulted in a material deviation from Board of Education (BOE) policies, procedures, and the requirements of the Accounting Procedures Manual (APM) for SAF.

In our opinion, except for the deviations from the criteria described in the preceding paragraph, the SAF referred to above was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the stated period.



Michele Winston, CPA, Director  
Internal Audit

Gladys Noon Spellman Elementary School  
School Activity Funds  
Internal Audit Report  
For the Period Ended August 31, 2022

**SUMMARY**

The Internal Audit Department completed an audit of the School Activity Funds (SAF) for Gladys Noon Spellman Elementary School for the period July 1, 2017 through August 31, 2022. The audit was conducted as part of the department's annual audit plan.

The audit indicated that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual (APM) for School Activity Funds and Board of Education (BOE) policies and procedures.

This audit report includes 2 findings that occurred under the leadership of the current principal. A listing of the findings and the personnel responsible are included in the appendix at the end of the audit report. In addition, details of the findings from the current audit are cited on the following pages with accompanying recommendations for corrective action.

**OBJECTIVES**

The objectives of the audit were to determine the effectiveness of the system of internal controls and whether the school complies with the policies and procedures of the APM and the BOE. It is important to recognize that, while the audit focused on deficiencies, it was intended to be constructive. The audit was not designed and conducted to evaluate the effectiveness of the educational programs in the school. Therefore, the absence of comments related to the educational programs should not be construed to imply that these programs are either adequate or deficient.

**SCOPE**

The audit was based on our review of bank statements, financial reports, selected cancelled checks, and all voided checks and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2017 through August 31, 2022. In addition, selected receipts, disbursements, and supporting documentation were reviewed for the aforementioned period. This is an audit of funds related to students' activities at the school and does not include SOR funds or any funds not derived from students' activities for the audit period.

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**FINDINGS AND RECOMMENDATIONS**

The audit resulted in the following finding and recommendation.

**2023.01 Unapproved Vendor for Vending Operations**

The school's current vendor for vending machine operations, CRH Catering, Co. Inc., is **not** an approved PGCPs vendor.

The APM, Section 9.8, *Vending Machine Sales*, states that all schools with vending machines must have a signed contract stipulating commissions due to the school and frequency these commissions are remitted. The contract term cannot exceed one year. The APM also states in Section 4.5.3.1, *Procedures* that all checks must be written to an Approved/Active vendor in *School Funds Online*.

According to the principal, the vending contract was with Bay Area Vending. Per the recordkeeping staff's knowledge, CRH Catering Co., Inc. is affiliated with Bay Area Vending. Therefore, the recordkeeping staff assumed CRH Catering Co., Inc. was also an approved vendor in SFO. Communication with the Accounting and Financial Reporting Office determined that CRH Catering Co., Inc. is not an approved vendor. Bay Area Vending is currently inactive in SFO and has been inactive since August 21, 2019. The recordkeeping staff has contacted CRH Catering to address proper registration for PGCPs approval.

The school is not in compliance with BOE policies and procedures for vending machine operations. Also, the school may not derive maximum benefits from vending machine operations with an unapproved vendor.

**Recommendation:** The principal should consult with Purchasing and Supply Services to identify an alternate vending company that is an approved PGCPs vendor listed in SFO as a replacement for the unapproved vendor if the current vendor is unable to attain approval status. The annual vending contract should be maintained on file for compliance.

**2023.02 Excessive Spending in Restricted Fund Accounts**

The SAF has **2** restricted fund accounts with deficits totaling **(\$333.01)** as of August 31, 2022. The following is a listing of accounts with deficits:

- 430.30 Kaboom Let's Play Grant account has a deficit of **(\$31.20)**
- 460.00 Sales Tax account has a deficit of **(\$301.81)**

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Expenditures for all restricted accounts are limited to the amount of funds collected for those activities. However, if restricted accounts exceed the available cash, the account is insolvent. As the fiduciary agent for School Activity Funds, the Principal should ensure all accounts are solvent at all times.

BOE policies and procedures as established in the APM regarding the use of restricted funds were not consistently followed. A significant portion of the deficit occurred prior to the current recordkeeping staff's tenure and prior to the implementation of the current accounting system (SFO) – FY 2015. Neither a review of SFO nor inquiry of the current recordkeeping provided an explanation for the deficit. The risk of insolvency increases when restricted funds are overspent and not properly managed.

**Recommendation:** The principal and recordkeeping staff should evaluate the fund account deficits with the Accounting and Financial Reporting Office to determine options for resolution. Care should be exercised to ensure the resources are used for the maximum benefit of the students. Spending in these accounts must cease until the account deficits are resolved.

### **STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for Gladys Noon Spellman Elementary School was issued for the period ended October 31, 2016. During that period, the current principal was assigned to the school, but the recordkeeping staff was not in the position. The previous audit report included 3 reportable conditions and none is repeated in the current audit. The following findings were noted as a result of the prior audit, and the status is indicated below:

- **Mismanagement of Funds Received** – Controls appear to be working.
- **Mismanagement of Disbursements** – Controls appear to be working.
- **Administration of Voided Checks** – Controls appear to be working.

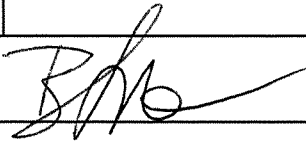
### **ACKNOWLEDGEMENT**

We would like to thank the Principal and staff of Gladys Noon Spellman Elementary School for their cooperation and assistance extended during the audit.

**Prince George's County Public Schools  
Internal Audit Department  
School/Office: Gladys Noon Spellman ES  
Response Due Date January 16, 2023**

	<b>Findings</b>	<b>Recommendations</b>	<b>Concur Non-Conc ur Partially Concur</b>	<b>Action Plan</b>	<b>Corrective Action Date</b>	<b>Status Implemented Partially Implemented Not Implemented</b>
1.	<b><u>2023.01 Unapproved Vendor for Vending Operations</u></b>	The principal should consult with Purchasing and Supply Services to identify an alternate vending company that is an approved PGCPs vendor listed in SFO as a replacement for the unapproved vendor if the current vendor is unable to attain approval status. The annual vending contract should be maintained on file for compliance.	Partially Concur	The contract I signed was with Bayshore Vending - an approved vendor. I was not aware they had a name change.  Secretary II will review vendor status on an annual basis.  Waiting on Purchasing to share the status of the current vendor status of this company.	January 2023	Partially Implemented
2.	<b><u>2023.02 Excessive Spending in Restricted Fund Accounts</u></b>	The principal and recordkeeping staff should evaluate the fund account deficits with the Accounting and Financial Reporting Office to determine options for resolution. Care should be exercised to ensure the resources are used for the maximum benefit of the students. Spending in these accounts must cease until the account deficits are resolved.	Partially Concur	The account deficit was an account from 2017. Funds have since been transferred to correct the deficit. I work to maintain a surplus in the checking account.  Principal and Sec II will monitor funds before making purchase to ensure we have the funds available.	December 2022	Implemented

Principal Signature \_\_\_\_\_



Date \_\_\_\_\_

1/23/23